

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 SAM-01 OPIC-03 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01

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E.O. 11652: N/A

TAGS: ECON, PO

SUBJ: INTERVENTION IN CHAMPALIMAUD CEMENT COMPANIES

1. COUNCIL OF MINISTERS APRIL 18 ORDERED INTERVENTION
IN EMPRESA DE CIMENTOS DE LEIRIA, SARL, PORTUGAL'S LARGEST
CEMENT COMPANY AND LARGEST ENTERPRISE REMAINING TO ANTONIO
CHAMPALIMAUD CONGLOMERATE, REPORTEDLY COUNTRY'S SECOND LARGEST,
SINCE NATIONALIZATION OF ITS BANK (PINTO E SOTTO MAYOR) AND
STEEL MILL (SIDERURGIA NACIONAL).

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2. BOARD OF DIRECTORS WAS SUSPENDED AND ALL THEIR SPOUSES'

PROPERTY AND BANK ACCOUNTS FROZEN. NEW MANAGEMENT WAS APPOINTED AND ALSO GIVEN FULL POWERS TO ASSUME MANAGEMENT OF TWO OTHER CHAMPALIMAUD CEMENT COMPANIES--COMPANHIA DE CARVAO E CIMENTOS DO CABO MONDEGO, SARL, AND COMPANHIA DE CIMENTOS TEJO, SARL.

3. COUNCIL OF MINISTERS CITED ABANDONMENT AND FLIGHT "TO PARTS UNKNOWN" OF SOME OF COMPANIES' DIRECTORS, WHO DELIBERATELY TOOK THIS ACTION TO ENDANGER NATIONAL ECONOMY BY DISTURBING PUBLIC OPINION AND "DISORIENTING" OTHER BUSINESSMEN. JUDICIAL POLICE ARE TO MAKE IMMEDIATE INVESTIGATION OF POSSIBLE CRIMINAL OFFENSES. EVENING OF APRIL 21 CHAMPALIMAUD'S SON MANUEL WAS ARRESTED AS HE REPORTEDLY ATTEMPTED TO "FLEE COUNTRY ILLEGALLY IN A YACHT."

4. COMMENT:

A. INTERVENTION DOES NOT COME AS ANY SURPRISE. PERHAPS MORE SURPRISING IS THAT WHOLE GROUP OF CHAMPALIMAUD COMPANIES WAS NOT INTERVENED. ACTION IS PROBABLY AIMED PRINCIPALLY AT ANTONIO CHAMPALIMAUD, CONSIDERED BY MANY AS ONE OF COUNTRY'S MOST PROGRESSIVE ENTREPRENEURS, WHO HAS BEEN OUT OF PORTUGAL SINCE LATE LAST YEAR. CHAMPALIMAUD HAS LARGE HOLDINGS IN FRANCE, GERMANY, MEXICO, BRAZIL, AND ELSEWHERE (LISBON A-190 OF AUGUST 4, 1972), AND RUMORS ABOUND CONCERNING HIS DEALINGS. IT IS KNOWN THAT LAST YEAR HE TRIED TO SPLIT OFF THE PARIS BRANCH OF BANCO PINTO E SOTTO MAYOR, AN ATTEMPT WHICH WAS ROUNDLY CONDEMNED BY LEFT.

B. WHILE PRIMARY ATTENTION HAS BEEN FOCUSED ON FORMAL NATIONALIZATIONS, LESS FORMAL INTERVENTIONS UNDER DECREE LAW 660/74 (LISBON 5166 OF DEC. 2, 1974) HAVE NOW REACHED LARGE PROPORTIONS. GOVERNMENT HAS THUS FAR INTERVENED IN ABOUT 30 COMPANIES OR GROUPS OF COMPANIES. IF ALL SUBSIDIARY COMPANIES WERE INCLUDED, THE NUMBER WOULD PROBABLY APPROACH 100.

C. LARGE ENTERPRISES INTERVENED INCLUDE JORGE DE BRITO, TORRALTA, GRAO PARA, HABITAT AND TOURING CLUB DE PORTUGAL GROUPS, COMPANHIAS REUNIDAS DE GAS E ELECTRICIDADE (CRGE) AND SOCIEDADE CENTRAL DE CERVEJAS (SCC). SEVERAL FIRMS (BANCO INTERCONTINENTAL PORTUGUES (BIP) OF DE BRITO GROUP, CRGE) HAVE SUBSEQUENTLY BEEN INCLUDED IN WIDER-SCALE NATIONAL-LIMITED OFFICIAL USE

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IZATIONS. CIMENTOS DE LEIRIA AND SCC ARE IN SECTORS ALREADY SLATED FOR FUTURE NATIONALIZATION (LISBON 2190).

D. ALTHOUGH LAW 660 ALLOWS FOR POSSIBLE RETURN OF INTERVENED COMPANIES TO OWNERS, THERE HAS BEEN NO CASE WHERE THIS HAS BEEN DONE.
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